

## What Buying a Home Truly Costs

When you're shopping for a new car, a sticker on the window will tell you how many miles per gallon of gas you'll get in city and highway driving. Then there's the disclaimer: "Your actual mileage will vary." The estimate is often generous, but at least it gives you an idea.

The closest homebuyers usually get to such insight is the property tax and perhaps a history of utility bills.

Indeed, the true cost of homeownership — from [securing a loan](#) to moving your furniture to keeping up the place — can be tough to pin down. Let's take a look.

### Before you start looking

Many buyers, particularly those in high-demand markets, can't compete seriously unless they present a [prequalification or preapproval letter](#) from a lender that has evaluated their creditworthiness to signal how much of a loan they'd qualify for.

To make sure you are putting your best foot forward, pull your credit reports from the three major agencies — Equifax, Experian and TransUnion — and check for errors. Depending on what you see, you may wish to pay down some debts so you can qualify for a lower interest rate or a higher loan amount.

### One-time costs

You know the big one: the down payment. The rule of thumb has long been to try to have 20% of the purchase price socked away for this. But some lenders offer loans guaranteed by the Federal Housing Administration where the down payment is as low as 3%. And veterans and their families can get a loan through the VA with no down payment (there's a funding fee of around 2%, but it's typically financed through the mortgage). With a down payment so low though, you'll usually have a private mortgage insurance premium added to your monthly payment.

Before you give anyone a down payment, though, you'll want a [home inspector](#) to check for structural problems; issues with the plumbing, electrical or heating systems; and anything else that your amateur eye may have missed. Even if an inspection costs a few hundred dollars, consider the value of knowing that critical systems are working properly and that the home has "good bones."

Regardless of the loan and terms you settle on, you can count on [closing costs](#), a laundry list that can add up to around 5% of the purchase price. Closing costs typically include an appraisal, loan origination fees, home insurance premiums, property taxes, title insurance, recording fees and attorney fees. Lenders are required to outline all estimated closing costs before documents are signed.

Then, of course, you have to move. The more you can do yourself, the better. Movers can charge more than \$20 per hour; renting a truck and rounding up discarded boxes can save you money.

### **Ongoing expenses**

You used to write rent checks. Now it's a mortgage payment, but you'll still be making a sizable monthly payment for where you live.

With homeownership there's no more calling the landlord to get something fixed, so you may wish to establish an emergency fund for unexpected repairs; several hundred dollars would be a good start. Alternatively, down the line, if you're looking to make a big home improvement, you could take out a home equity loan through an institution such as Central Macomb Community Credit Union.

Ultimately, a house will cost you more than the figure you saw on your favorite real estate app. Knowing all the associated costs will make your search more efficient and leave you without any unhappy surprises as you take the big step toward buying a home.

Peter Lewis, [NerdWallet](#)

© Copyright 2016 NerdWallet, Inc. All Rights Reserved